METHOD AND APPARATUS FOR OPTIMIZING INVESTMENT PORTFOLIO PLANS FOR LONG-TERM FINANCIAL PLANS AND GOALS

ABSTRACT

The present invention provides information to enable investors to see how portfolio plans comprising pluralities of best-diversified portfolios compare in probabilistic measures of prospects and risks for their long-term financial plans and goals, to enable and educate investors to select and stay on most promising portfolio paths for their long-term plans, goals, and priorities.

Users are enabled to indicate asset classes or investment categories to be considered for investment portfolios, specify a long-term financial plan including cash flows to and from a portfolio plan in a plurality of years, and specify desires for a portfolio plan to comprise different portfolios for differently taxed funds and different investment periods of the financial plan as the time horizon shortens. Concepts and methods of Modern Portfolio Theory are applied in combination with the specified desires for pluralities of portfolios in a portfolio plan to determine a series of best-diversified portfolio plans; for the long-term financial plan, with each of the series of best-diversified portfolio plans Monte Carlo simulations are run to develop a probability distribution of final wealth at the end of the time horizon of the financial plan. From these analyses, best-diversified portfolio plans are compared graphically in probabilistic measures of long-term results for the plan, on which measures the portfolio plans will standardly rank and compare differently.

From the foregoing, investors can obtain, for plans with realistic pluralities of cash flows and portfolios, information and understanding for judging and selecting portfolio plans that offer best prospects for their long-term goals and priorities and for staying with well-selected portfolio plans in the face of short-term volatilities that would frighten less informed investors off course.